

KASHMIR POLYTEX LIMITED

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COMPANY PROFILE

Board of Directors

Mr. Mohammad Ashraf Khan	Chief Executive / Director
Mr. Farooq Khan	Director
Dr. Mrs. Yasmin Ashraf	Director
Mr. Mohammad Younus Khan	Director
Mrs. Harmeem Ara Hashmi	Director
Mr. Mohammad Akram	Director
Mr. Shahid Mahmood	Director (I.C.P. Nominee)

Company Secretary / CFO:

Mr. Shoaib Abdullah

Audit Committee:

Mr. Younus Khan	Chairman
Mr. Shoaib Abdullah	Secretary
Mr. Muhammad Zahoor	Assistant Manger Accounts

Registered Office:

Plot# A/8-11, Industrial Estate, Mirpur, A.K.

Liaison Office:

501, Fifth Floor, Business Avenue, Main Shahrah-e-Faisal, Karachi.

Factories:

- i) Plot* A/8-11, Industrial Estate, Mirpur, A.K.
- ii) Plot# 190, Phase-III, Industrial Estate,
Qadoon Amazai, N.W.F.P.

Auditors:

Kanwar Furqan Ali & Co. Chartered Accountants

Legal Advisor:

Yousuf Ali Advocate

Bankers:

National Bank of Pakistan.

Bank Al-Habib Limited.

PICIC Commercial Bank.

NOTICE OF MEETING

Notice is hereby given that the 20th Annual General meeting of the Shareholders of the Company will be held at Plot* A/8-11, Industrial Estate, Mirpur A.K., on Saturday, October 25, 2003 at 11:00 am to transact the following business:-

1. To confirm the Minutes of 19th Annual General Meeting of the Shareholders of the company held on 21 November, 2002.
2. To receive and adopt the report of the Directors and Audited Accounts of the company for the year ended June, 2003.
3. To appoint Auditors for the year ended 2003-2004 and fix their remuneration, the retiring Auditors M/s. Kanwar Furqan All & Co. Chartered Accountants have offered their services for the ensuing year.
4. To transact such other business as may be placed before the meeting with the permission of the Chairman.

BY ORDER OF THE BOARD

SHOAIB ABDULLAH

Secretary

Note:

1. The Share Transfer Books of the Company will remain closed from October 20, 2003 to October 25, 2003 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint another member as his/here proxy to attend and vote instead of him/her proxies in order be effective, must be received at the registered office of the Company not less than 48 hours before the meeting.
3. The shareholders are requested to communicate to the company any change in their addresses.
4. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participants ID number for identification purpose and in case of proxy, to enclose an attested copy of his / her National Identity Card.

DIRECTORS' REPORT

The Directors take pleasure in presenting the 20th Annual Report together with Company's Financial Statement for the year ended June 30, 2003 and the Audited Report thereon.

Financial Review

The Company registered sales at Rs. 143.545 million as compared to Rs. 106.493 million in the proceeding year. The Company suffered a loss of Rs. 0.654 million after accounting for all charges including depreciation of Rs. 13.984 million. The financial results were improved due to higher capacity utilization i.e. 37% (65% capacity utilization of Gadoon Unit), the Mirpur Plant remained closed due to non-availability of finances for BMR and working capital.

During the year Company's exports were increased to USD 2.175 million as compared to last year export of USD 1.451 million. By the Grace of Almighty ALLAH FPCCI's merit trophy for the year 2001-2002 for the export of Non-Traditional item has been awarded to our Company. Within a short period of time this is a big achievement for a sick Company, which is revived by the Committee for Revival of Sick Industrial Units. During the year the Company has been able to supply bags to Pakistan PTA Limited (formerly ICI PTA Limited) and is likely to replace their imported bags with locally manufactured bags substantially.

However as a result of increase in ocean freight through imposition of War Risk and GRI in our region, profitability has been jeopardized. China and India are paying much less ocean freight as compared to us as there is no war risk charge or GRI on the consignment from these countries.

Operating Results

	(Rupees in thousands)	
	2003	2002
Loss as per Audited Accounts	-654	-7,852
Accumulated Loss brought Forward	-238,818	-230,966
	-239,472	-238,818

Rescheduling / Restructuring

PICIC, National Bank of Pakistan and Bank Al-Habib have rescheduled the loans as per decision of Committee for Revival of Sick Industrial Units (CRSIU). Whereas, agreement with ICP led Consortium under SBP Circular 29, dated October 15, 2002 has been approved and documentation is process. We have already paid Rs. 1.176 million being the 10% down payment to ICP Consortium. Remaining amount will be paid in 12 quarterly installments commencing from November 2003. We have also applied to National Bank of Pakistan to settle the liabilities under the SBP guidelines, which is under consideration. Settlement with IDBP is still in process and hopefully IDBP will accept the decision of CRSIU.

Payments to the Banks

After the revival package approved by the CRSIU the Company has paid to the financial institutions as follows:-

PICIC	Rs. 12.065	Million
NBP	Rs. 4.080	Million
Bank Al-Habib	Rs. 2.234	Million
ICP	Rs. 0.630	Million

Earning Per Share

The loss per share for the period under review is Rs. 0.09 as compared to Rs. 1.11 in the preceding year.

Dividend

No dividend or bonus shares have been recommended by the Board to the Shareholders due to losses incurred by the

Company.

Significant Plans and Decisions

The Management is in active consideration of alternate plans to re-start Mirpur Unit and also trying to diversify the project into Jumbo Bags manufacturing facility. In this regard the management is negotiating with Storsack UK Limited and some local investors for investment in Mirpur Unit as equity/soft term loan.

Meetings of the Board of Directors

Four Meetings of the Board of Directors of the Company were held during the year. Mr. Shahid Mahmood was appointed as Director in place of Mr. Javed Iqbal (ICP Nominee), who has resigned the year under review.

Attendance of the Directors are given hereunder:

Board of Directors:	No. of Meeting attended
Mr. Mohammad Ahsraf Khan	4
Mr. Farooq Khan	2
Dr. Mrs. Yasmin Ashraf	4
Mr. Mohammad Younus Khan	3
Mr. Mohammad Akram	2
Mst. Hareem Ara Hashmi	4
Mr. Javed Iqbal ICP Nominee (resigned)	2
Mr. Shahid Mehmoood ICP Nominee	1

The Market & Future Prospects

By the Grace of Allah the Company has exported Jumbo Bags valuing USD \$ 2.175 million mainly to M/s. Storsack UK Limited. In addition we have also explored other markets and able to export to Germany and Ireland. On the local scenario after the trial order last year the Company has been able to supply of bags to Pakistan PTA Limited (ICI) on regular basis.

Audit Committee

In compliance with the Code of Corporation Governance, the Board of Directors has established an Audit Committee and the following are the Audit Committee's members:-

Mr. Mohammad Younus Khan
Mr. Shoaib Abdullah
Mr. Mohammad Zahoor

Pattern of Share Holding

The pattern of share holding is enclosed with this report.

Six Years Review at a Glance

The Six years review of Accounts is enclosed with this report.

Auditors

The present Auditors M/s. Kanwar Furqan All & Co. Chartered Accountants as Auditors retire and being eligible have

offered themselves as Auditor of the Company.

Acknowledgments

I would like to thank our bankers for their kind financial and moral support to us. I also like to thank Mr. Simon Wildi, Managing Director of Storsack UK for his kind supports to *KASHMIR POLYTEX LIMITED*. I also express my appreciation for the continued support of our Shareholders, Employees & Suppliers during the year.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:

1. Company encourages representation of Independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes all independent non-executive directors except for the Chief Executive.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayer and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFL or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by the employees of the Company and it is in the knowledge of the Company's Directors.
5. The Company has in place processes and policies as required by the Code. Formal adoption of these policies by the Board has been undertaken as an ongoing process. The corporate strategy is reviewed by the Board from time to time.
6. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the board.
7. All the four meetings of the Board held during the year were presided over by the Chairman. Written notices of the Board meetings including the four quarterly meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
8. The directors have been provided with copies of the Listing Regulations of the Karachi and Lahore Stock Exchanges Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities.
9. The Board has approved appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment, as determined by the CEO.

10. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, including the chairman, of the committee, who is non executive directors.
15. Four quarterly meetings of the audit committee were held during the year prior to approval of interim and final results of the company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firms, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed FFAC guide lines in this regard.
19. We confirm that all other material principles contained in the Code have been complied with.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of the KASHMIR POLYTEX LIMITED as at June 30,2003 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the

accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion;

i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.

ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, given the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30,2003 and of the profit, its cash flows and changes in equity for the year then ended: and

d) in our opinion, no Zakat was deductible at source under the zakat and Ushr Ordinance, 1980' (XVIII of 1980).

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATION GOVERNANCE

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **KASHMIR POLYTEX LIMITED** (the company) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange and Clause 40 (Chapter XIII) of the Listing Regulation of the Lahore Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquire of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understandings of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company as at June 30,

2003

BALANCE SHEET

	Note	(Rupees in thousands)	
		2003	2002
SHARE CAPITAL AND RESERVES			
CAPITAL AUTHORIZED			
7,500,000 Ordinary Shares of Rs. 107- each		75,000	75,000
Issued, Subscribed & Paid up	3	71,000	71,000
GENERAL RESERVE		7,100	7,100
UNAPPROPRIATED PROFIT / (LOSS)		-239,472	-238,818
		-161,372	-160,718
SURPLUS ON REVALUATION OF FIXED ASSETS	4	96,420	96,420
SUBORDINATED LOAN TO EQUITY	5	40,000	40,000
LONG -TERM LOAN	6	196,481	216,513
DEFERRED LIABILITIES	7	2,879	2,522
CURRENT LIABILITIES			
Current Maturity	8	38,775	33,466
Short Term Bank Borrowings	9	19,295	17,174
Creditors, Accrued Liabilities and Other Payables	10	49,126	41,115
		107,196	91,755
CONTINGENCIES & COMMITMENTS	11	—	—
		281,604	286,492

The annexed notes form an integral part of these accounts.

AT JUNE 30, 2003

	Note	(Rupees in thousands)	
		2003	2002
TANGIBLE FIXED ASSETS			
LONG - TERM DEPOSITS	13	740	740
CURRENT ASSETS			
Stores, Spares and Loose Tools	14	8,871	9,375
Stores - in - Trade	15	58,412	53,461
Trade Debtors - Unsecured			
Considered Goods		5,723	473
Loans, Advances, Deposits, Prepayments	16		
and Other Receivables		34,514	35,721
Cash and Bank Balance	17	559	1,366
		108,079	100,396
		281,604	286,492

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	(Rupees in thousands)	
		2003	2002
Sales	18	143,545	106,493
Cost of Sales	19	108,443	84,251
Gross Profit		35,102	22,242
OPERATING EXPENSES			
Administrative	20	20,128	13,316
Selling	21	17,613	15,185

		37,741	28,501
OPERATING LOSS		-2,639	-6,259
Other Income	22	49	2,041
		-2,590	-4,218
OTHER CHARGES			
Financial Charges	23	3,549	3,634
LOSS FOR THE YEAR		-6,139	-7,852
Prior Year's Adjustment	24	5,485	—
		-654	-7,852
Accumulated Loss brought Forward		-238,818	-230,966
ACCUMULATED LOSS CARRIED FORWARD		-239,472	-238,818
Loss Per Share		-0.09	-1.11

The annexed notes form an integral part of these accounts
Auditor's Report of even number and date is attached hereto

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2003

	Issued Subscribed and paid-up Capital	General reserve (Rupees in	Accumulated Loss Thousands)	Total
Balance as at June 30, 2001	71,000	7,100	-230,966	-152,866
Loss for the year after taxation	—	—	-7,852	-7,852
Balance as at June 30, 2002	71,000	7,100	-238,818	-160,718
Loss for the year after taxation	—	—	-654	-654
Balance as at June 30, 2003	71,000	7,100	-239,472	-161,372

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2003

Note	(Rupees in thousands)	
	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES		
Net Loss:	-654	-7,852
Adjustment for:		
Depreciation	13,984	15,274
Financial Charges	3,549	3,634
Provision for Gratuity	357	231
	17,890	19,139
Operating loss before working capital charges	17,236	11,287
Change in working capital (increase) / Decrease in Current Assets		
Stores Spares & Loss Tools	504	-2,453
Stock in Trade	-4,951	-17,259
Trade Debtors	-5,251	597
Advances, Deposits, Prepayments & Other Receivables	1,208	20,352
	-8,490	1,237
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Short Term Bank Borrowing	7,430	9,384
Creditors, Accrued Liabilities & Other Payables	8,012	8,314

Cash Generated from Operation	15,442	13,499
Financial Charges Paid	24,188	26,023
Net Cash Generated from Operating Activities	-3,549	-3,634
CASH FLOW FROM INVESTING ACTIVITIES	20,639	22,387
Capital Expenditure	-1,414	-26,625
Net Cash used from Investing Activities	-1,414	-26,625
CASH FLOW FROM FINANCING ACTIVITIES		
Subordinated Loan to Equity	—	9,164
Adjustment on Rescheduling of Loans	-5,777	6,785
Re-Payment of Loans	-14,255	-11,116
Net Cash Generated / (Used) from Financing Activities	-20,032	4,833
Total Cash Generated / (Used) During the Year	-807	597
Cash and Cash Equivalent at the beginning	1,366	769
Cash and Cash Equivalent at the end	559	1,366

NOTES TO THE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003

1. THE COMPANY AND ITS OPERATION

The company is incorporated in Azad Jammu & Kashmir, under the Companies Ordinance, 1984 as adopted by Azad Jammu & Kashmir Government, as a Public Limited Company, quoted on Karachi and Lahore Stock Exchange in Pakistan. The Company is engaged in the business of manufacturing and sale of polypropylene woven FIBCs, bags and cloth.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These Accounts have been prepared in accordance with requirements of the Companies Ordinance, 1984 and the International Accounting Standards, as applicable in Pakistan.

2.2 Accounting Convention

These Accounts have been prepared under the historical cost convention.

2.3 **Retirements Benefits**

The Company operates an un-funded Gratuity Scheme and provision is made annually to cover the obligation under the scheme.

2.4 Taxation

Provision of current Taxation is based on taxable income at current rates of taxation as applicable in Pakistan as adopted in Azad Jammu & Kashmir.

2.5 Tangible Fixed Assets

All fixed capital expenditure are at Cost less Accumulated Depreciation except lease hold land which is stated at cost. Depreciation on assets calculated on reducing balance method at the rate specified in Fixed Assets Notes Maintenance and normal repairs are charged to income as

and when incurred, while major replacements and improvements, if any are capitalized. Gain or loss on disposal of assets is included in current income. Full years depreciations is charged in the year of purchase and no depreciation in the year of disposal.

2.6 Stores, Spares and Loose Tools

These are valued at moving average cost while item considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice values plus other changes incurred thereon.

2.7 Stock in Trade

Stock are valued at lower of cost or not realizable value, determined by first in first out method. Stock in Trade and at bond are valued at cost. Cost of work in process and finished goods represent direct cost of material, labour and appropriate portion of production overheads.

2.8 Trade Debts

Debts known irrecoverable are written off during the year. No Provision is provided for the doubtful debts.

2.9 Revenue Recognition

Sales are recorded when goods are dispatched and invoiced.

2.10 Foreign Exchange Transactions

Assets and liabilities in foreign currencies are stated in Pak rupees at the rate of exchange prevailing on the Balance Sheet date or fixed under contractual agreement.

2.11 Borrowing Cost

Borrowing Cost are recognised as an expenses in period in which they are incurred.

2.12 Interest/Mark-up

Interest / Mark-up on working capital loan has been allocated on the basis of sales of Mirpur and Gadoon projects.

	(Rupees in thousands)	
	2003	2002
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
7,100,000 Ordinary Shares of Rs. 10/=		
each fully paid in cash.	71,000	71,000
4. SURPLUS ON REVALUATION OF FIXED ASSETS		
Leasehold Land	1,444	1,444
Building - Office	5,353	5,353
Building - Factory	16,380	16,380
Plant & Machinery	73,243	73,243
	96,420	96,420

Surplus on Revaluation of Fixed Assets represents excess of the value of fixed assets as assessed by an independent valuer over Net Book Value as on February 28,1999. The Surplus is not available for

distribution until realized on disposal of assets.

Company's assets were revalued by M/s. Shahid Associates and subsequently confirmed by M/s. Mniff Ziauddin & Co.

Based Used:

- | | |
|------------------------|--|
| 1. Leasehold Land | Present Market Value of Similar Properties in the Area. |
| 2. Building | Original cost of construction discounted for approximate depreciation. |
| 3. Plant and Machinery | Replacement value of similar machinery at current exchange rates discounted for depreciation depending on the age, performance, upkeep, and productivity of machinery. |

		(Rupees in thousands)	
	Note	2003	2002
5. SUBORDINATE LOAN TO EQUITY			
Mohammad Ashraf Khan		8,633	8,633
M/s Storsack UK Ltd.		5,000	5,000
Zafar / Ahsan		12,404	12,404
Farooq Khan		5,503	5,503
Mohammad Akram		8,460	8,460
Total		40,000	40,000
6. LONG TERM LOAN			
PICIC Loan* Secured	6.1	71,688	77,689
TFC's for Gadoon - Secured	6.2	11,767	17,694
NBP Demand Finance		66,106	66,667
Bank AI - Habib		38,792	41,026
IDBP		46,903	46,903
		235,256	249,979
Less Current Maturity	8	38,775	33,466
		196,481	216,513

6.1 Long term PICIC loan for Machinery is secured by first charge on fixed assets of the company.

6.2 ICP Led Consortium TFC's for Gadoon is secured by paripasu charge on fixed assets of the company.

An amount of Rs. 5.777 million has been adjusted towards "Prior year's Adjustment" as ICP has settled TFC's account under SBP circular No. 29 dated 15/10/2003.

The Committee for Revival of Sick Industrial Units finalized the rescheduling package on 11 -8-2000. The loan is to be repaid in 10 years after one year moratorium on zero mark-up basis.

		(Rupees in thousands)	
	Note	2003	2002
7. DEFERRED LIABILITIES			
Against Land		78	78
Gratuity		2,801	2,444
		2,879	2,522
8. CURRENT MATURITY			
PICIC		15,757	10,561
Investment Corporation of Pakistan		1,765	3,068

National Bank of Pakistan Limited		17,019	10,539
Bank Al-Habib		4,234	4,103
IDBP	8.1	—	5,195
		38,775	33,466

8.1 IDBP has filed a suit in honourable Sindh High court for recovery of the outstanding amount. Leave to defend the suit has been filed and negotiations for out of court settlement is in final stage on the basis of CRSIU decision. No amount has been provided for current maturity.

9. BANK BORROWINGS

From Bank under Mark up Agreement Secured

National Bank of Pakistan	9.1		
Cash Finance		1,915	2,537
FIM		122	3,752
Bank Al-Habib Limited	9.2		
Export Refinance		4,000	—
FE- 25 Loan		4,375	—
TR Facility		1,106	3,385
PICIC Commercial Bank Limited	9.3		
Export Re-Finance		7,499	—
FIM		278	7,500
		19,295	17,174

9.1 National Bank of Pakistan has sanctioned Cash Finance Limit of Rs. 3 Million and Import LC facility at sight of Rs. 10 Million (5 Million in FIM Account). Rate of markup is 43.84 PTDP.

9.2 Bank Al-Habib has providing the Export Re-Finance facility of Rs. 4 million Mark-up is 3.5% per annum, Post Import Finance Facility under F.E. 25 loan scheme Mark-up is 5% per annum and TR facility on case to case basis on markup rate of 14%. per annum. Bank Al-Habib is also providing sight L/Cs facility on case to case basis.

9.3 PICIC Commercial Bank has provided the Export Re-Finance facility of Rs. 7.5 Million Markup rate is 3.5% per annum and FIM facility on markup rate of 14%.

	Note	(Rupees in thousands)	
		2003	2002
10. CREDITORS, ACCRUED LIABILITIES & OTHER PAYABLE			
Creditors		43,165	34,851
Accrued Expenses		734	3,311
Accrued Mark-up		141	449
Loans from others		25	65
Payable to others		5,061	2,439
Total		49,126	41,115

11. CONTINGENCIES & COMMITMENTS

Contingencies

11.1 Liability for Custom Duty has not been provided on the over assessed value on import material by the Custom Authority. The case is pending with the Appellate Collector of Customs, Karachi. Liabilities amount Rs. 465,000.

11.2 Stay order against imposition of Excise Duty on polypropylene Strips @ Rs. 2.50 P/Kg. has been vacated. The case is pending with the Appellate Tribunal AJ & K Council. Muzaffarabad A.K for Rs. 17,445,198.

11.3 The Excise and Sales Tax Department, AJ & K has challenged the order passed by Addl. Collector Central Excise & Sales Tax, Mirpur A.K. in which our claim of input adjustment of sales tax paid on purchase of P.P. waste was accepted. The case is pending before the Appellate Tribunal, AJ & K Council, Muzaffarabad A.K for Rs. 64,297.

11.4 The Appeal before Income Tax Tribunal against Assessment Order for the assessment year 1993-94 is pending for decision. Tax deposited under protest amounted to Rs. 1,436,132.

11.5 Appeals before Appellate Additional Commissioner of Income Tax, Mirpur A.K for rectification u/s 156 of income tax ordinance, 1979 in the assessment orders passed by the DCIT for the assessment year 1991 - 92 to 1995 - 96 are pending for decision. Refund of Income Tax /Turn over Tax u/s section 80-D paid during exemption period, claimed for Rs. 5,191,106.

11.6 Settlement with ICP Consortium, under SBP circular No. 29 dated 15-10-2003 has resulted remission of markup amounting to Rs. 17.411 (M) subject to payment of settled amount within agreed time schedule.

	Note	(Rupees in thousands)	
		2003	2002
13. LONG-TERM DEPOSITS			
Security Deposits		739	739
Gas Cylinder		1	1
		740	740
14. STORES, SPARES AND LOOSE TOOLS			
Stores and Spares		8,220	9,186
Loose Tools		651	189
		8,871	9,375
15. STOCK IN TRADE			
Raw Material in			
Bonded Ware House		12,489	14,600
Factory		33,040	22,652
Transit		7	3,606
		45,536	40,858
Work in Process		4,470	5,978
Finished Goods		8,406	6,625
		58,412	53,461
16. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
' ADVANCES - Unsecured Considered goods			
Against Land		2,174	2,552
To Contractors & Suppliers		9,388	10,173
To Staff		1,679	512
Sales tax / Excise Duty		—	1,591
Income Tax / sales tax adjustment		12,108	10,704
Other		5,893	1,256
		31,242	26,788
DEPOSITS			
Earnest Money / Retention	—		3,733

Security Deposit		940	1,046
L/C. Margin		149	175
		1,089	4,954
PREPAYMENTS			
Expenses	—		1,401
	—		1,401
OTHER RECEIVABLES			
Bank Guarantee	—		2,578
Other		1,183	—
		1,183	2,578
		33,514	35,721
17. CASH AND BANK BALANCES			
Cash in Hand		356	294
Cash at Bank		203	1,072
		559	1,366

18. SALES

	RUPEES IN THOUSAND					
	MIRPUR		GADOON		TOTAL	
	2003	2002	2003	2002	2003	2002
Sales Local	—	—	20,875	6,559	20,875	6,559
Sales Export	—	—	126,094	100,304	126,094	100,304
Total Sales	—	—	146,969	106,863	146,969	106,863
	—	—				
Sales Return / Deduction	—	—	697	—	697	—
Sales Tax	—	—	2,727	370	2,727	370
Export Duty	—	—	—	—	—	—
Excise Duty	—	—	—	—	—	—
	—	—	3,424	370	3,424	370
Net Sales	—	—	143,545	106,493	1,43,545	106,493

19. COST OF SALES

Raw Material Consumed	—	—	80,914	57,283	80,914	57,283
Salaries, Wages & Benefits	—	—	3,824	2,960	3,824	2,960
Finished & Weaving Expenses	—	—	6,589	5,117	6,589	5,117
Travelling & Conveyance	—	—	309	344	309	344
Vehicle Running Expenses	—	—	1	10	1	10
Electricity	—	—	6,064	5,860	6,064	5,860
Postage, Telephone & Telex	—	—	80	100	80	100
Rent, Rate & Taxes	—	—	122	143	122	143
Plant Maintenance /						
Spares Consumed	—	—	2,760	2,284	2,760	2,284
Cartage & Octori	—	—	—	297	—	297
Printing & Stationery	—	—	29	15	29	15
Entertainment	—	—	82	62	82	62
Sundries & Others	—	—	281	291	281	291
Repair & Maint,	—	—	172	53	172	53
Depreciation	—	4,045	7,489	8,174	7,489	12,219
MANUFACTURING COST	—	4,045	108,716	82,993	108,716	87,038
Opening Stock Work in Process	—	1,121	5,978	4,990	5,978	4,990
Closing Stock Work in Process	—	1,121	4,470	5,978	4,470	5,978
	—	—	1,508	-988	1,508	-988
	—	4,045	110,224	82,005	110,224	86,050

Opening Stock of Finished Goods	—	4,216	6,625	4,826	6,625	4,826
Closing Stock of Finished Goods	—	1,840	8,406	6,625	8,406	6,625
		2,376	-1,781	-1,799	-1,781	(1,799)
COST OF SALES	—	6,421	108,443	80,206	108,443	84,251

(Rupees in thousands)

	Note	2003	2002
20. ADMINISTRATION EXPENSES			
Salaries, Allowances & Benefits		5,134	3,894
Directors Remuneration	25	480	360
Rent, Rate & Taxes		877	800
Postage, Telephone & Telex		820	773
Conveyance & Travelling		837	667
Entertainment		282	153
Printing & Stationery		275	215
Electricity		686	321
Vehicle Running Expenses		1,427	830
Insurance		511	159
Paper & Periodicals		29	18
Repair & Maintenance		519	667
Donations	26	188	80
Fee & Subscription		330	120
Guest House Expenses		2	—
Legal & Professional charges		463	355
Sundries		631	715
Auditors Remuneration	28	80	75
Depreciation		6,494	3,055
Others		63	59
		20,128	13,316
21. SELLING EXPENSES			
Salaries Allowances & Benefits		94	167
Ocean Freight	21.1	16,948	14,587
Delivery Charges		76	96
Rent, Rate & Taxes		—	7
Postage, Telephone & Telex		111	116
Conveyance & Travelling		1	3
Entertainment		3	4
Printing & Stationery		9	7
Sundries		55	103
Others		276	95
Exhibition & Seminar		40	—
		17,613	15,185

21.1 An amount of Rs. 3,009,430 being the 25% of freight subsidy received has been credited to Ocean freight account.

	Note	(Rupees 2002	in thousands) 2001
22. OTHER INCOME			
Others		49	2,041
		49	2,041
23. FINANCIAL CHARGES			

Mark up on			
FIM		727	31
Cash Finance		233	544
Running Finance		179	204
Export Refinance		701	1,921
Bank Charges and Others		1,555	934
Trust Receipt		154	—
		3,549	3,634
24. PRIOR YEAR'S ADJUSTMENT			
Custom Duties	24.1	-292	—
Adjustment on Rescheduling	24.2	5,777	—
		5,485	—

24.1 Custom duties short paid in previous year now recovered by Custom authorities.

24.2 Markup charged as expenses in prior years now written off by ICP led Consortium.

25. REMUNIRATION TO DIRECTORS

Managerial Remuniration		240	234
House Rent		108	104
Others / Utility		132	122
		480	460
Numbers of Persons		1	1

Chief Executive is entitled to use company's Car, & Telephone at his residence.

26. DONATION

Donation		188	80
		188	80

Non of the Directors or their spouse have any interest in the institutions to which the donations have been made.

27. FINANCIAL ASSETS & LIABILITIES

	Interest Bearing			Non-interest Bearing			Total
	Maturity upto One year	Maturity after One year	Sub Total	Maturity upto One year	Maturity after One year	Sub Total	
Financial Assets							
Trade Debtors	—	—	—	5,723	—	5,723	5,723
Advances, Deposits, Prepayments & Other Receivables	—	—	—	34,514	—	34,514	34,514
	—	—	—	40,237	—	40,327	40,327
Financial Liabilities							
Long Term Loans	—	—	—	38,775	196,481	235,256	235,256
Short Term Borrowing	19,295	—	19,295	—	—	i	19,295
Creditors	—	—	—	49,126	—	49,126	49,126
Accrued Liabilities	—	—	—	-	—	i	—
	19,295	—	19,295	87,897	196,481	284,378	303,677

27.1 Concentration of Credit Risk

Credit Risk represent the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. All the financial assets of the company are subject to credit risk. To average exposure to the credit risk company applied credit limit to its customers.

27.2 Foreign Exchange Risk Management

Foreign Currency risk arises mainly where payable exists due to transaction with foreign undertakings.

27.3 Fair Value of Financial Assets and Liabilities

The carrying values of financial assets and liabilities reflected in the financial statements approximate their fair values.

	(Rupees in thousands)	
	2003	2002
28. AUDITORS' REMUNIRATION		
Audit Fee	80	75
	80	75
29. LOSS PER SHARE		
Net Loss for the year	-654	-7,827
Weighted Average Number of Ordinary Shares	7,100	7,100
Loss per Share	-0.09	-1.1
30. CAPACITY AND PRODUCTION		
Installed Capacity	2,800	2,800
Actual Production	1,038	868
Utilisation %	37	31

The Installed capacity is based on 300 days, three shifts working per annum at 100% capacity operation. Gadoon Unit has been utilised upto 65% of its Capacity.

Decline in production due to shortage of working capital and closure of Mirpur Plant since May, 1999.

	(Rupees in thousands)	
	2003	2002
Number of employees at the year end	242	208

32. GENERAL

a) Figures in these accounts have been rounded off to the nearest thousand of rupees.

SIX YEARS AT A GLANCE

PARTICULARS	1998	1999	2000	2001	2002	2003
<i>Profit & Loss Statement</i>						
Sale	208,995	159,366	42,929	52,063	10,493	143,545
Cost of Sales	180,785	162,159	52,728	53,205	84,251	108,443
Gross Profit / (Loss)	28,210	-2,793	-9,799	-1,142	22,242	35,102
Operating Expenses	23,384	39,083	17,552	20,538	28,501	37,741
Operating Profit / (Loss)	4,826	-41,876	-27,451	-21,680	-6,259	-2,639

Other Income	396	225	297	1,244	2,041	49
Profit / (Loss) before financial charges	5,222	-41,651	-27,154	-20,436	-4,218	-2,590
Financial Charges	30,999	37,913	21,956	13,609	3,634	3,549
Profit / (Loss) for the year	-25,777	-79,564	-49,010	-34,045	-7,852	-6,139
Prior Year Adjustments	-4,699	(790)	644	—	—	5,485
Accumulated Profit / (Loss)						
Brought Forward	-30,476	-80,354	-48,366	-34,045	-7,852	-654
<i>Balance Sheet</i>						
Share Capital	71,000	71,000	71,000	71,000	71,000	71,000
Reserves	7,100	7,100	7,100	7,100	7,100	7,100
Accumulated Profit / (Loss)	-68,231	-148,555	-196,921	-230,966	-238,818	-239,472
Shareholders' Equity	9,869	-70,455	-118,821	-152,866	-160,718	-161,372
Surplus on Revaluation of Fixed Assets	22,440	96,420	96,420	96,420	96,420	96,420
Subordinated Loan to Equity	—	—	16,426	30,836	40,000	40,000
Long Term Loans	74,323	78,566	75,066	214,103	216,513	196,481
Deferred Liabilities	3,816	17,630	18,284	18,373	2,522	2,879
Current Liabilities	175,578	197,999	194,864	72,122	91,755	107,192
TOTAL	286,026	320,160	282,239	279,288	286,492	281,604
Fixed Assets - Tangible	131,362	199,697	182,068	174,003	185,356	172,785
Long Term Security Deposits	740	740	740	740	740	740
Current Assets	153,924	119,723	99,431	104,545	100,396	108,079
TOTAL	286,026	320,160	282,239	279,288	286,492	281,604

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2003

NO. OF SHARE HOLDERS	SHARE-HOLDING		TOTAL SHARES HELD
	FROM	TO	
206	1	100	20,600
2,315	101	500	1,077,010
218	501	1,000	216,800
214	1,001	5,000	611,190
53	5,001	10,000	412,100
8	10,001	15,000	101,000
5	15,001	20,000	89,000
1	20,001	25,000	24,100
2	30,001	35,000	62,000
1	35,001	40,000	37,500
1	40,001	45,000	43,600
2	45,001	50,000	97,500
2	50,001	55,000	104,500
1	55,001	60,000	56,000
1	70,001	75,000	70,900
1	95,001	100,000	98,000
1	145,001	150,000	150,000
1	180,001	185,000	183,300
1	190,001	195,000	191,900
1	350,001	355,000	355,000
1	375,001	380,000	378,600
1	810,001	815,000	814,000

1	945,001	950,000	948,500
1	955,001	960,000	957,000
3,039			7,100,000

S. No.	Categories Of Share Holdrs	No. of Share Holders	Total Shares Held	Percentage
1	Individuals	3,007	6,162,200	86.79%
2	Joint Stock Companies	25	492,800	6.94%
3	Financial Institutions	4	438,000	6.17%
4	Modaraba Companies	1	5,000	0.07%
5	Others	1	2,000	0.03%
		3,038	7,100,000	100.00%